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SUBJECT: NIGERIA: ECONOMIC ROUNDUP OCTOBER 30

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1. This periodic economic report includes:
--U.S.-Nigeria Air Cargo: Taking Advantage of AGOA
--GON Re-Thinks Nigeria Airways Deal
--GON to Set Domestic Content Requirement for JV Oil Contracts
--Local Concerns Over Niger Delta Dredging

U.S.-Nigeria Air Cargo: Taking Advantage of AGOA

2. U.S. Export-Import Bank Director Joseph Grandmaison and Ambassador Jeter met Minister of Aviation Kema Chikwe in Abuja last week to encourage Nigerian participation at the November 19-20 African Regional Air Cargo Transport Initiative forum in Washington, D.C. A U.S. Trade and Development Agency (TDA) consultant made the same pitch last week to Lagos-based officials at the Ministry of Aviation, Nigerian Civil Aviation Authority, and Federal Airport Authority of Nigeria (FAAN). The air cargo initiative, sponsored by TDA, the Department of Transportation, and the Ex-Im Bank, seeks to encourage air cargo transport between Africa and the United States and, indirectly, bilateral trade under AGOA. Grandmaison explained in his meeting with Chikwe that much of the tariff savings under AGOA are unrealized because shipping--most often via Europe--is costly for trade between the United States and Africa, nullifying the advantage to Africa that AGOA was designed to bestow.

3. The TDA consultant reports that FAAN officials in Lagos recognize the benefits of a strong air cargo link to the United States. In anticipation of increased air cargo traffic, FAAN is expanding cargo facilities at Murtala Muhammed Airport in Lagos, and in August, a team from the U.S. Transportation Security Administration conducted cargo security training for FAAN officials.

GON Re-Thinks Nigeria Airways Deal

4. The deal signed June 28 between UK-based Airwing Aerospace and the Ministry of Aviation to restructure Nigeria Airways as a joint venture called Air Nigeria is coming under increasing scrutiny (reftel). President Obasanjo has stepped into the fray, calling for the establishment of a ten-person committee to review the Air Nigeria deal and chart a new way forward for a Nigerian national carrier. The Bureau of Public Enterprises' Director of Operations Tijjani Abdullahi promises Econoff that additional details on the committee will be available in the weeks to come.

GON to Set Domestic Content Requirement for JV Oil Contracts

5. Group Managing Director of the Nigerian National Petroleum Corporation (NNPC) Jackson Gaius-Obaseki is reported in the local press as having announced in Ulsan, South Korea, that future contracts for joint ventures in oil and gas exploration and extraction will include a 25 percent local-content requirement. He suggested that basic construction and engineering, in particular, could be procured locally. Separately, Chairman of the Senate Committee on Petroleum Resources David Brigidi told Econoff that the National Assembly is considering a "Local Content Act" that would likely be passed this year. The current draft of that bill does not specify the amount of local content that would be required. (Comment: To date, there has been no discussion of how that local content would be procured, whether in foreign exchange or Nigerian naira. End Comment.)

6. Oil executives in Lagos and Port Harcourt told Econoffs that these new policies would pose major obstacles for future investments. However, there appears to be confusion among them about the amount of domestic content that would be required, with estimates ranging from 30 to 50 percent. Post will follow this issue closely.

Local Concerns Over Niger Delta Dredging

17. Chief Dr. E.A. Emerhi, national president of Nigeria's office of the International Association for Impact Assessments (IAIA), told Emboffs that the IAIA has not yet staked out a position on whether the Niger River should be dredged. Emerhi discussed the perspectives of large-scale traders (who support the project) and smaller farming communities (who oppose it). The Nigerian delegation to the November 7-8, 2002, conference sponsored by Tulane University and the U.S. Army Corps of Engineers in New Orleans on "Comparing Rivers: The Mississippi and the Niger" will include members of diverse ethnic and geographical background as well as government, academic, and private sector representatives who will present these viewpoints.

18. Emerhi said that the GON has not yet demonstrated the capacity nor will to address local concerns over the proposed dredging project, but she is hopeful that government officials will become more sensitive to these concerns through participation in conferences like the one being held next month in New Orleans.

JETER